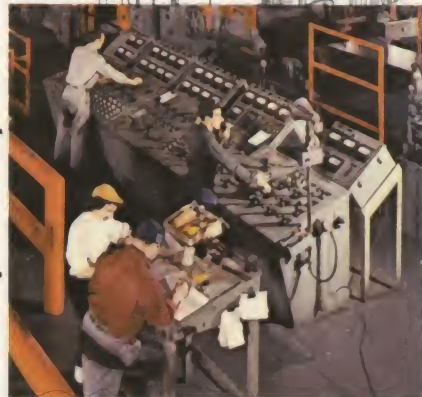


ANNUAL REPORT 1964

NORTHERN OHIO TELEPHONE COMPANY

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SERVING THE COMMUNICATION NEEDS OF EVER-GROWING NORTHERN OHIO



ANNUAL REPORT YEAR ENDED DECEMBER 31, 1964

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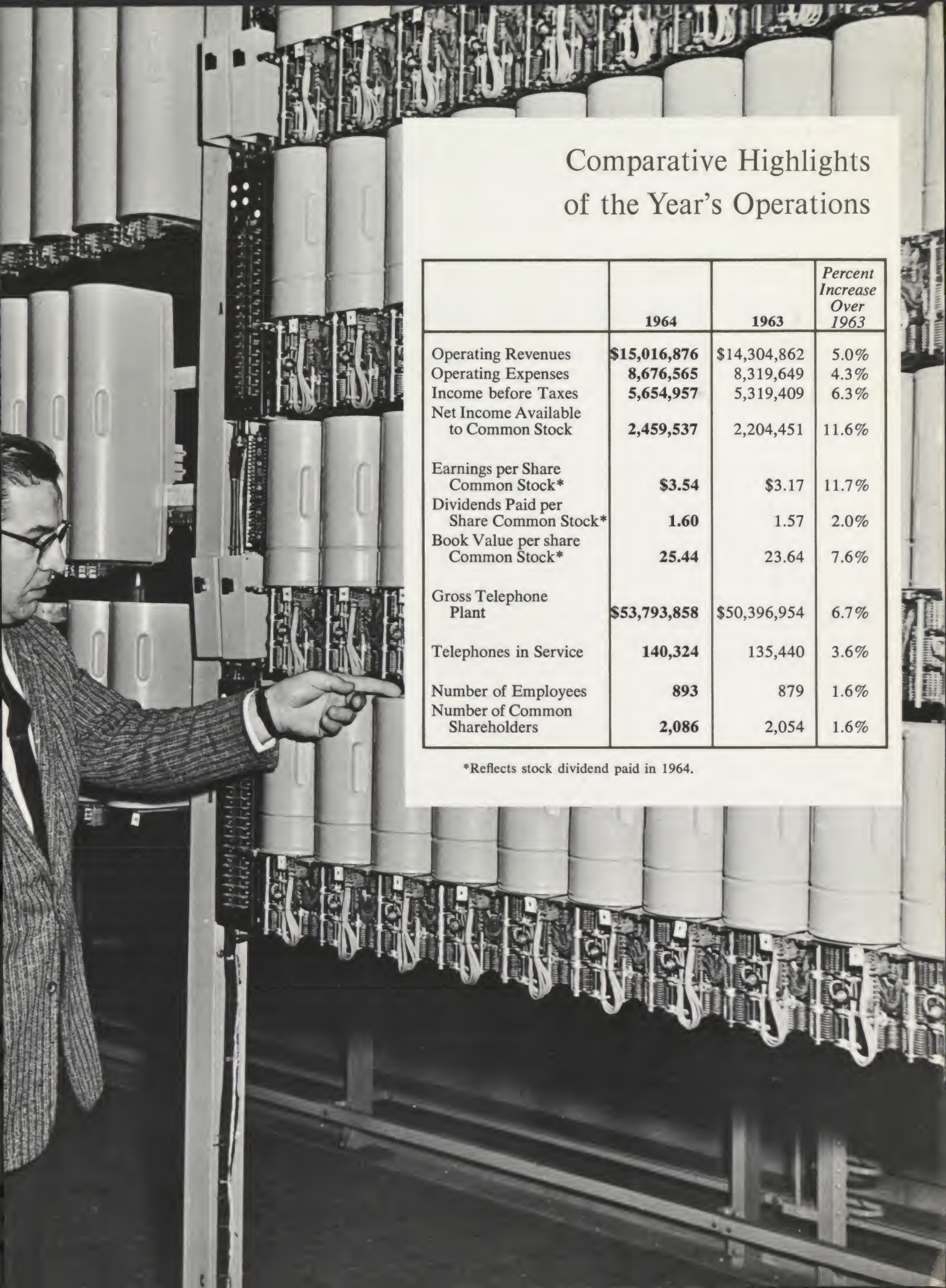
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Annual Meeting

The Annual Meeting of Stockholders will be held at 2:00 p.m. Tuesday, May 18, 1965, at the offices of the Company, 117 North Sandusky Street, Bellevue, Ohio. Formal Notices will be mailed to all common stockholders on Friday, April 30, 1965, and proxies will be requested.



Colonel William C. Henry, (right) presents Governor James Rhodes of Ohio with a gold telephone as a memento of the One Millionth Independent Telephone installed in Ohio. The installation was made at the Company's Wadsworth exchange



Comparative Highlights of the Year's Operations

	1964	1963	Percent Increase Over 1963
Operating Revenues	\$15,016,876	\$14,304,862	5.0%
Operating Expenses	8,676,565	8,319,649	4.3%
Income before Taxes	5,654,957	5,319,409	6.3%
Net Income Available to Common Stock	2,459,537	2,204,451	11.6%
Earnings per Share Common Stock*	\$3.54	\$3.17	11.7%
Dividends Paid per Share Common Stock*	1.60	1.57	2.0%
Book Value per share Common Stock*	25.44	23.64	7.6%
Gross Telephone Plant	\$53,793,858	\$50,396,954	6.7%
Telephones in Service	140,324	135,440	3.6%
Number of Employees	893	879	1.6%
Number of Common Shareholders	2,086	2,054	1.6%

*Reflects stock dividend paid in 1964.

Col. Henry receives his 40 Year
Service Emblem from his son and
Company Director, Frank C. Henry.



DIRECTORS

ALLAN G. AIGLER*

*Aigler and Aigler, Attorneys,
Bellevue, Ohio*

JOHN A. AIGLER

*General Commercial Superintendent of
the Company, Bellevue, Ohio*

THOMAS A. BOYD

*Retired, Former Vice President-
Finance, General Telephone &
Electronics, Inc., Bronxville, New York*

CHARLES H. CAMPBELL

*The Equitable Life Assurance Society,
Ashland, Ohio*

ROBERT T. CAMPBELL

*The North Electric Manufacturing Co.,
Galion, Ohio*

HERBERT A. ERF*

*The H. A. Erf Acoustical Company,
Shaker Heights, Ohio*

FRANK C. HENRY

*Partner, Bosworth, Sessions, Herrstrom
and Knowles, Patent Attorneys,
Cleveland, Ohio*

WILLIAM C. HENRY*

*President and General Manager of
the Company, Norwalk, Ohio*

HERMANN H. THORNTON

Educator, Oberlin, Ohio

FRED W. UHLMAN*

*President, F. W. Uhlman and Company,
Bowling Green, Ohio*

JOHN E. WISE*

*President, The Citizens National Bank
of Norwalk, Norwalk, Ohio*

**Member Executive Committee*

OFFICERS

ALLAN G. AIGLER

Chairman of the Board

WILLIAM C. HENRY

President and General Manager

JOHN E. WISE

Vice President

WILLIAM H. TODD

Secretary and Treasurer

JOHN A. AIGLER

*Assistant Secretary and Assistant
Treasurer*

Transfer Agents and Registrars

*Preferred Stock—Office of the Company
Common Stock—Central National Bank
of Cleveland, Cleveland, Ohio*

General Counsel

Aigler and Aigler, Bellevue, Ohio

Special Counsel

*Squire, Sanders and Dempsey,
Cleveland, Ohio*

*Power, Griffith, Jones and Bell,
Columbus, Ohio*

Independent Auditors

Ernst & Ernst, Cleveland, Ohio



A Message from the President

TO OUR STOCKHOLDERS

I AM PLEASED to report that 1964 was a year of continued progress for Northern Ohio Telephone Company. New records were achieved in operating revenues, net income, book value, telephones in service and in many other areas detailed in the body of this Annual Report.

Dividends paid to common stockholders in 1964 reached a new high of \$1.60 per share in cash and 2% in stock. The Board of Directors at its meeting on December 15th, 1964 voted an increase in the Common Stock dividend from \$0.40 to \$0.45 per quarter. The increased rate went into effect in the first quarter of 1965 and it is the Board's intention to continue the \$0.45 quarterly rate. The Board also voted to recommend that the stockholders at the annual meeting on May 18, 1965 approve a three for one split in the common stock, with a reduction in the per share par value from \$10.00 to \$3.33⅓. At a meeting on March 23, 1965, the Board voted a 1% stock dividend to be paid in 1965 which was approved April 14, 1965 by the Ohio Public Utilities Commission.

The Company continued its role as a leader in the independent telephone industry by making several significant improvements in service available to subscribers. On April 29th, 1964 the one millionth independent telephone to be installed in the State of Ohio was placed in service in the Company's Wadsworth exchange. At the same time, Touch Dialing, in which calls are placed by push buttons rather than by a dial, was made available at Wadsworth. Governor Rhodes of Ohio placed the first call over the Touch Dial telephone.

The Pemberville exchange was converted from manual to dial operation on May 17th, 1964, making Northern Ohio Telephone's exchange service 100% dial. Direct distance dialing was established at the Delaware toll center and its six tributary exchanges on September 10th, 1964. The advantages of direct distance dialing are now available to 74% of the Company's subscribers and to six of the nine toll centers.

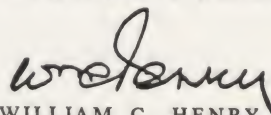
As a result of the July 1964 relocation of the Detroit Air Route Traffic Control Center to Oberlin, the Company operated Air Route Traffic Control Center at Oberlin now handles more flights than any of the 21 air route traffic control centers in the United States. The Center controls air traffic in Ohio, Michigan, Pennsylvania and New York and employs 450 people.

On October 9th, 1964 the Company incorporated the Northern Ohio T.V. Company. This wholly owned subsidiary will develop Community Antenna Television systems (C.A.T.V.) for localities within the State of Ohio where it is economically feasible.

The Company participated in the initial financing of the Communications Satellite Corporation by purchasing 7,500 shares of common stock at its par value of \$150,000.

The outlook for 1965 is favorable. We are scheduling additions to the telephone plant and other expenditures for improvements in service in the gross amount of at least \$4.4 million and we expect to add a minimum of 6,000 telephones to the system. The Management of Northern Ohio Telephone Company believes that the Company's position as one of the larger operating companies in the independent telephone system enables it to serve effectively the interests of the stockholders, employees and subscribers. We intend to pursue aggressively the objectives of improving and augmenting the communication services to our subscribers and paying our employees equitable wages, while compensating the stockholders for their investment of capital that has made the growth of the Company possible.

For the Board of Directors



WILLIAM C. HENRY
President and General Manager

Financial Review

OPERATING REVENUES reached a record level of \$15,016,876, up 5.0% from the 1963 total. Included in this amount were increases in subscriber station revenue of \$423,207 and toll revenue of \$283,447.

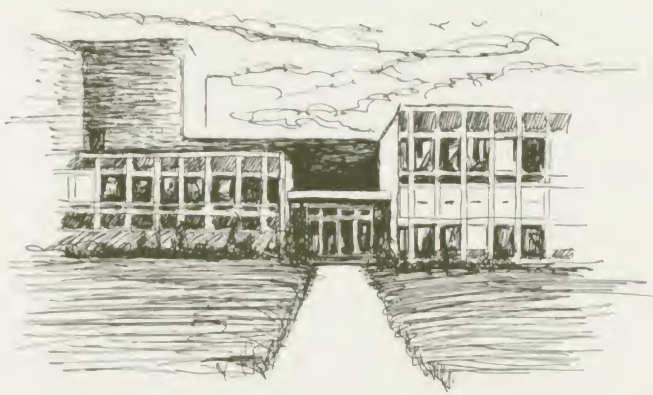
Operating Expenses for 1964 were \$4,728,360, an increase of \$23,470. Maintenance Expense was \$1,644,186, up \$44,365; Traffic Expense was \$1,622,630, down \$39,962, Commercial Expense was \$742,993, up \$12,002; General Office Expense was \$437,410, up \$35,820; Other Expenses were \$281,141, a decrease of \$28,755.

Other Income was \$265,571, an increase of \$202,423 over 1963. The major part of the increase was due to interest received on U.S. Treasury Bills and Certificates of Deposit resulting from the investment of excess funds from the sale of \$6,000,000 in 4½% First Mortgage Bonds on October 1st, 1963.

Depreciation set aside on Depreciable Telephone Property and Plant was \$2,142,103, an increase of \$141,837 over the 1963 amount. The composite depreciation rate for Federal Income Tax purposes was 4.21%. Fixed Charges amounted to \$950,925, up \$221,973 over 1963. This increase was due to the interest and amortization of discount on the \$6,000,000 in Bonds issued October 1st, 1963 for plant expansion. The provision for Federal Income Taxes was \$2,833,615, an increase of \$78,668, despite the fact that the Corporate Federal Income Tax rate was reduced from 52% to 50%. It should be noted that total taxes paid in 1964 for each telephone in service amounted to \$33.65. Preferred Dividends paid or accrued were \$361,805. This amount is \$1,794 more than last year due principally to the sale in 1964 of preferred stock to employees on a payroll deduction plan. Net Operating Revenue Available for Common Stock and Surplus, and after Preferred Dividends, was \$2,459,537, an increase of \$255,086 over 1963. This is equivalent to \$3.54 per share as compared with \$3.17 for 1963, adjusted for the additional number of shares issued as a 2% common stock dividend in 1964, and paid in February of 1964. \$1,108,206 was paid in cash for Common Stock Dividends, or \$1.60 per share. Also, a 2% Common Stock Dividend was paid. Fractional shares were paid in cash.

Net Additions to Plant were in the total amount of \$3,336,720. At year end the total investment in Telephone Plant was \$53,793,858, including \$365,562 in Telephone Plant under Construction. Gross Additions to Plant for the year amounted to \$4,242,706. Retirement in Plant amounted to \$905,986, making the Net Addition for the year \$3,336,720. The principal Net Additions to component classifications of Plant were \$969,146 for Central Office Telephone Equipment; \$676,465 for Sub-





1. Chief Switchman, Harold Sell and District Manager Ralph Bishop examining Central Office Equipment Directors.

2. Students at Oberlin College, Oberlin, Ohio, one of the five institutions of higher learning in the territory served by your Company.

3. The Company's Telephone Building at Wellington, Ohio containing a Direct Distance Dialing Installation.

4. The Courtesy Time and Temperature service provided by The Bank of Wood County Company using our telephones.





*The Company's exchange building
at North Eaton, Ohio.
This exchange is equipped
for direct distance dialing.*

scribers Station Equipment; \$824,277 for Underground and Aerial Cable; \$251,718 for New Buildings or additions to present Buildings; \$127,486 for Private Branch Exchange Equipment; and \$154,409 for Station Connections.

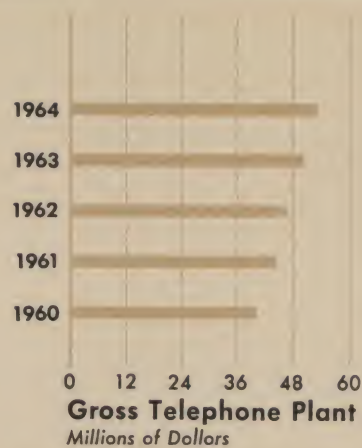
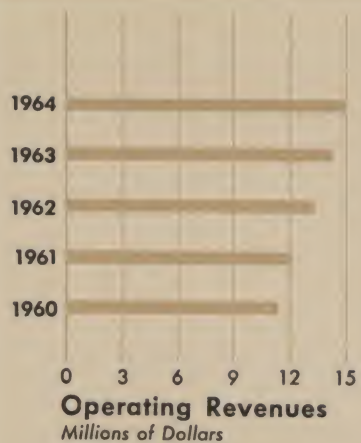
During the year the Company purchased at Ashland the First Federal Savings and Loan Building for \$70,000 for additional space to be added to our Ashland toll center. An \$85,000 addition to the Wadsworth District Headquarters is nearing completion. Major additions were made to the Medina toll center, and to the Berlin Heights and Red Haw tributary exchange buildings. Additional property was purchased in Galion for a Company garage, and in Bellevue for an addition to the General Office Building, both of which are expected to be completed in 1965.

FINANCING

During the year 269 shares of 5% Class B Preferred Stock were sold principally to employees on a payroll deduction stock purchase plan, with the remaining amount to stockholders who had requested additional preferred shares. The total number of shares of Common Stock outstanding at year end was 695,817. The increase of 12,754 shares over the 1963 year end shares outstanding was accounted for by the 2% Common Stock Dividend paid February 2nd, 1964.

FEDERAL EXCISE TAXES

The total amount of the ten per cent Federal Excise Tax on telephone service collected by the Company during 1964 was \$1,406,064.82. For the past 22 years a Federal Excise Tax of ten per cent has been imposed on local and long distance telephone service. This World War II tax was originally enacted to restrict additional telephone service. It was, and is, discriminatory in that it does not apply to any other utility service. Congress proposes to consider within the next few weeks the elimination of certain Excise Taxes on cosmetics, handbags and other luxury items. Unless our subscribers and stockholders, who pay the tax, make their views known to their Senators and Congressmen, the elimination or the reduction in Telephone Excise Taxes will be by-passed and the tax may become a permanent part of the cost of telephone service.



In 1964 the last manually operated exchange in the Northern Ohio Telephone System converted to dial. Pictured above is this exchange at Pemberville, Ohio (a) before and (b) after conversion.

FINANCIALS →





Comparative Balance Sheets

ASSETS

	DECEMBER 31, 1964	1963
PLANT AND OTHER INVESTMENT		
Telephone plant in service—Note A	\$53,428,296	\$50,091,576
Telephone plant under construction	365,562	305,378
	<hr/> \$53,793,858	<hr/> \$50,396,954
Less reserve for depreciation	10,179,851	8,681,558
	<hr/> \$43,614,007	<hr/> \$41,715,396
Debt retirement fund—Note B	2,780,501	2,950,873
Other investment (COMSAT)	150,000	—0—
	<hr/> \$46,544,508	<hr/> \$44,666,269
CURRENT ASSETS		
Cash	\$ 1,741,489	\$ 1,171,053
Special cash deposits and working funds	80,325	75,965
Certificates of deposit and other short-term investments—at cost and accrued interest (approximate market)	2,172,265	2,754,549
Notes and land contracts receivable	41,970	40,995
Accounts receivable (including estimated unbilled: 1964—\$380,868; 1963—\$343,085) less reserve for uncollectible accounts: 1964—\$17,780; 1963—\$26,913	1,480,366	1,517,638
Materials and supplies	682,328	727,440
	<hr/> \$ 6,198,743	<hr/> \$ 6,287,640
DEFERRED CHARGES		
Prepaid insurance and other expenses	\$ 24,014	\$ 19,708
Discount on funded debt	261,558	272,708
	<hr/> \$ 285,572	<hr/> \$ 292,416
	<hr/> <u>\$53,028,823</u>	<hr/> <u>\$51,246,325</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 1964

Note A—Telephone plant in service comprises land, buildings, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, motor equipment, and tools. Plant is stated at amounts authorized by The Public Utilities Commission of Ohio with respect to acquisitions from other companies, and other additions are included at cost as of dates of installation.

Note B—Under the terms of the Bond Purchase Agreement of First Mortgage Bonds due October 1, 1993, the Company deposited in trust an amount equal to the principal amount of First Mortgage Bonds due August 1, 1965, and accrued interest to that date. United States Government securities, at cost (\$2,780,501) and accrued interest comprise the fund at December 31, 1964.

Note C—The various series of cumulative preferred stock outstanding at December 31, 1964, are as follows:

LIABILITIES AND SHAREHOLDERS' EQUITY

	DECEMBER 31, 1964	1963
SHAREHOLDERS' EQUITY		
Capital Stock:		
Cumulative Preferred Stock—\$100 par value:		
Authorized 100,000 shares; issued and outstanding—1964—76,229 shares; 1963—75,960 shares—Note C	\$ 7,622,900	\$ 7,596,000
Common Stock—\$10 par value:		
Authorized—1964—1,000,000 shares; 1963—700,000 shares; issued and outstanding—1964—695,817 shares; 1963—683,063 shares	6,958,170	6,830,630
Installments paid on Capital Stock	4,407	3,782
	<hr/>	<hr/>
	\$14,585,477	\$14,430,412
Other capital	3,440,946	2,737,308
Retained income—Note D	7,296,330	6,880,297
	<hr/>	<hr/>
	\$25,322,753	\$24,048,017
FUNDED DEBT		
First Mortgage Bonds—Notes B, D, and E	21,652,000	21,652,000
CURRENT AND ACCRUED LIABILITIES		
Accounts payable	\$ 964,474	\$ 1,113,820
Subscribers' advance billings and payments	273,921	267,780
Taxes accrued—Note F	3,535,423	3,047,677
Unmatured interest and dividends	912,386	867,055
	<hr/>	<hr/>
	\$ 5,686,204	\$ 5,296,332
OTHER DEFERRED CREDIT—Note F		
	367,866	249,976
	<hr/>	<hr/>
	\$53,028,823	\$51,246,325

See notes to financial statements.

	<u>Amount</u>
5% Class A (redeemable at \$110 a share):	
Authorized and outstanding 12,000 shares	\$1,200,000
5% Class B (redeemable at \$105 a share):	
Authorized 56,000 shares; outstanding 32,229 shares	3,222,900
4½% (redeemable at \$105 a share):	
Authorized and outstanding 20,000 shares	2,000,000
4¼% (redeemable at \$105 a share):	
Authorized and outstanding 12,000 shares	1,200,000
TOTAL	<u>\$7,622,900</u>

Note D—Under the terms of the Twelfth Supplemental Indenture dated October 1, 1963, to The First Mortgage Trust Deed, retained income amounting to \$3,943,343 is not restricted for payment of cash dividends on Common Stock.

Note E—First Mortgage Bonds outstanding as of December 31, 1964, are as follows:

<u>Due Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Aug. 1, 1965	3¼%	\$2,752,000
Nov. 1, 1980	2⅞%	1,600,000
Nov. 1, 1982	3½%	1,800,000
Oct. 1, 1987	5⅞%	3,000,000
Dec. 1, 1988	4⅞%	3,000,000



Comparative Statements of Income

YEAR ENDED DECEMBER 31, 1964 AND 1963

	1964	1963
OPERATING REVENUES		
Local service	\$ 7,811,402	\$ 7,388,195
Toll service	6,053,958	5,770,511
Directory advertising and sales	557,976	578,891
Miscellaneous	641,540	620,065
Less provision for uncollectible accounts	48,000*	52,800*
TOTAL OPERATING REVENUES	\$15,016,876	\$14,304,862
OPERATING EXPENSES		
Current maintenance	\$ 1,644,186	\$ 1,599,821
Depreciation	2,142,103	2,000,266
Traffic	1,622,630	1,662,592
Commercial	742,993	730,991
General office	437,410	401,590
Other—Note G	281,141	309,896
Taxes other than federal income taxes	1,806,102	1,614,493
TOTAL OPERATING EXPENSES	\$ 8,676,565	\$ 8,319,649
	\$ 6,340,311	\$ 5,985,213
OTHER INCOME	265,571	63,148
	\$ 6,605,882	\$ 6,048,361
OTHER DEDUCTIONS		
Interest expense	\$ 939,775	\$ 721,499
Amortization of discount on funded debt	11,150	7,453
	\$ 950,925	\$ 728,952
INCOME BEFORE FEDERAL INCOME TAXES	\$ 5,654,957	\$ 5,319,409
FEDERAL INCOME TAXES—ESTIMATED—Note F		
Payable for the year	\$ 2,715,725	\$ 2,628,392
Amount equivalent to Investment Credit	117,890	126,555
	\$ 2,833,615	\$ 2,754,947
NET INCOME	\$ 2,821,342	\$ 2,564,462

*Indicates red figure.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE E (Continued)

Due Date	Interest Rate	Amount
Sept. 1, 1991	4%	3,500,000
Oct. 1, 1993	4½	6,000,000
TOTAL		\$21,652,000

The bonds are secured by first mortgages on all telephone plant now owned or hereafter acquired. The Company covenants, while any of such bonds are outstanding, to provide sinking funds by annual payments to the Trustee, in cash or securities, of an amount equal to one per cent of the aggregate principal amount of bonds issued. The Company has the right to substitute 60% of cost or fair value of permanent additions

against which additional bonds have not been issued in lieu of cash or securities to meet sinking fund requirements. Sinking fund requirements have been complied with.

Note F—Federal income taxes payable have been reduced by \$117,890 representing the investment credit as provided by the Revenue Act of 1962, and an amount equivalent thereto has been reflected as the other deferred credit.

Note G—The contribution under the pension plan for employees of the Company included with other operating expenses amounted to \$142,669 for the year 1964, including a portion of past service costs. At December 31, 1964, the estimated unfunded portion of past service costs amounted to approximately \$314,000.

Statements of Other Capital and Retained Income

		YEAR ENDED DEC. 31, 1964
OTHER CAPITAL		
Balance at January 1, 1964		\$2,737,308
Excess of market value of 12,754 common shares of the Company issued to effect a 2% stock dividend, over the par value thereof		<u>703,638</u>
Balance at December 31, 1964		<u><u>\$3,440,946</u></u>
RETAINED INCOME		
Balance at January 1, 1964		\$6,880,297
Add net income for the year		<u>2,821,342</u>
Deduct:		\$9,701,639
Cash dividends declared:		
5% Preferred Stock—\$5.00 a share	\$ 220,798	
4½ % Preferred Stock—\$4.50 a share	90,007	
4¼ % Preferred Stock—\$4.25 a share	51,000	
Common Stock—\$1.65 a share	<u>1,153,200</u>	\$1,515,005
Common Stock dividend:		
Market value of 12,754 full shares issued to effect a 2% stock dividend	\$ 831,178	
Cash paid in lieu of fractional shares	<u>59,126</u>	<u>890,304</u>
Balance at December 31, 1964		<u><u>\$7,296,330</u></u>

See notes to financial statements.

Auditors' Report

Board of Directors
Northern Ohio Telephone Company
Bellevue, Ohio

We have examined the balance sheet of Northern Ohio Telephone Company as of December 31, 1964, and the related statements of income, other capital, and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, other capital, and retained income present fairly the financial position of Northern Ohio Telephone Company at December 31, 1964, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio
February 18, 1965

ERNST & ERNST



Ten Year Statistical Summary

	1964	1963	1962
Operating Revenues	\$15,016,876	\$14,304,862	\$13,270,945
Operating Expenses	8,676,565	8,319,649	7,735,820
Operating Income before Federal Income Taxes	6,340,311	5,985,213	5,535,125
Other Income	265,571	63,148	39,515
Fixed Charges—Interest and Other	950,925	728,952	676,091
Income before Federal Income Taxes	5,654,957	5,319,409	4,898,549
Provision for Federal Income Taxes	2,833,615	2,754,947	2,527,810
Net Income for the Year	2,821,342	2,564,462	2,370,739
Preferred Stock Dividends	\$ 361,805	\$ 360,011	\$ 358,029
Net Income Available for Common Stock	2,459,537	2,204,451	2,012,710
Common Stock Dividends	2,043,504	1,794,461	1,459,567
Retained Earnings	416,033	409,990	553,143
Net Income per Common Share (a)	\$3.54	\$3.17	\$2.89
Dividends per Common Share (a)	1.60 + 2% Stk	1.57 + 2% Stk	1.54 + 1%
Per Cent Earned on Average Capitalization	6.09%	6.08%	6.22%
Times Preferred Dividend Requirements Earned	7.8	7.1	6.6
Cash Dividend Requirements Earned	2.1	2.0	1.9
Total Telephone Plant	\$53,793,858	\$50,396,954	\$46,987,901
Reserve for Depreciation	10,179,851	8,681,558	7,486,939
Net Telephone Plant	43,614,007	41,715,396	39,500,962
Capitalization:			
Funded Debt—First Mortgage Bonds	\$21,652,000	\$21,652,000	\$15,652,000
Preferred Stock	7,622,900	7,596,000	7,560,800
Common Stock and Surplus	17,699,853	16,452,017	15,391,122
Total Capitalization	46,974,753	45,700,017	38,603,922
Number of Common Shares Outstanding at Year-End	695,817	683,063	670,531
Number of Telephones at Year-End	140,324	135,440	129,852
Number of Common Stockholders at Year-End	2,086	2,054	2,048
Number of Employees at Year-End	893	879	903

(a) Reflects stock dividends of 2% in 1964 and 1963, 1% in 1962 and 25% in 1961 and 1958



1961	1960	1959	1958	1957	1956	1955
12,148,446	\$11,441,595	\$10,533,194	\$ 9,508,391	\$ 7,938,708	\$ 7,430,362	\$ 6,923,838
7,002,540	6,471,615	6,566,429	5,598,943	5,104,456	4,558,773	3,981,816
5,145,906	4,969,980	3,966,765	3,909,448	2,834,252	2,871,589	2,942,022
43,239	13,517	28,029	2,666	2,609	33,698	12,999
592,205	510,355	502,396	410,280	265,434	200,657	200,540
4,596,940	4,473,142	3,492,398	3,501,834	2,571,427	2,704,630	2,754,481
2,392,459	2,259,010	1,790,615	1,777,041	1,323,328	1,357,108	1,413,553
2,204,481	2,214,132	1,701,783	1,724,793	1,248,099	1,347,522	1,340,928
\$ 345,416	\$ 335,050	\$ 308,389	\$ 275,309	\$ 265,521	\$ 263,761	\$ 263,324
1,859,065	1,879,082	1,393,394	1,449,484	982,578	1,083,761	1,077,604
1,110,634	1,053,472	948,125	758,781	674,784	674,784	500,818
748,431	825,610	445,269	690,703	307,794	408,977	576,786
\$2.67	\$2.70	\$2.00	\$2.08	\$1.41	\$1.56	\$1.55
1.52 + 25% Stk	1.51	1.36	1.09 + 25% Stk	0.97	0.97	0.72
6.27%	6.88%	5.73%	6.39%	5.07%	6.23%	6.70%
6.4	6.6	5.5	6.3	4.7	5.1	5.1
1.8	1.8	1.5	1.9	1.5	1.6	2.2
\$44,455,718	\$40,001,250	\$36,156,267	\$32,976,403	\$29,958,014	\$26,053,571	\$23,053,463
6,626,752	5,341,551	4,443,006	3,534,564	3,378,798	3,399,990	3,283,452
37,828,966	34,659,699	31,713,261	29,441,839	26,579,216	22,653,581	19,770,011
\$15,652,000	\$12,152,000	\$12,152,000	\$ 9,152,000	\$ 9,152,000	\$ 6,152,000	\$ 6,152,000
7,514,500	7,113,200	7,024,700	6,389,100	5,704,400	5,658,300	5,653,100
14,503,042	13,390,371	12,564,454	12,119,069	11,444,556	11,120,962	8,516,019
37,669,542	32,655,571	31,741,154	27,660,169	26,300,956	22,931,262	20,321,119
664,803	526,736	526,736	526,736	421,740	421,740	351,450
125,214	118,651	113,616	108,547	104,427	98,723	93,495
2,017	1,923	1,912	1,832	1,796	1,822	1,233
883	838	830	819	825	831	775



1. Pictured is the first "Touch Calling" pay station installed by an independent telephone company. This is a Northern Ohio Telephone Company station in Wadsworth, Ohio.



2. The Student Union at Ohio Wesleyan University located in Delaware, one of the Company's 9 Toll Centers.

3. The Company's building at Huron, Ohio. This exchange provides Direct Distance Dialing and Extended Area Service for its subscribers.

4. Aerial view of the Main Offices of Norwalk Truck Lines, Inc. and the District Headquarters of Columbia Gas System, Inc. in Norwalk, Ohio.



Operational Review

THE NET GROWTH in telephones installed during the year was 4,884. As of December 31st, 1964 the Company served 140,324 telephones. The 1964 gain was restricted by an eight-week work stoppage. The number of completed long distance calls for 1964 was 11,913,888, an increase of 4.8% in number of messages. Of the 11,913,888 total messages completed 5,231,814 were placed by subscribers using Direct Distance Dialing, an increase of 22% over the previous year. Approximately half of this increase was due to the fact that the Delaware toll center and its tributary exchanges were equipped for Direct Distance Dialing service September 10, 1964. Six of the Company's nine toll centers and 74% of our subscribers now have available the advantages of Direct Distance Dialing. As noted earlier, the Company's Pemberville exchange was converted from manual to dial operation May 17th, 1964. This made all exchange service 100% dial. As of this same date Extended Area Service (EAS) was established between Pemberville and the Bowling Green toll center. EAS was also established between the Bowling Green toll center and Weston, Portage and Cygnet on August 1st, 1964. Additionally, EAS was established between Wadsworth and the Akron exchange of the Ohio Bell Telephone Company as of August 1st, 1964.

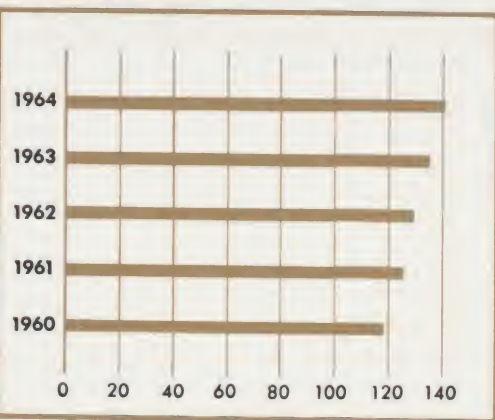
As mentioned earlier, on April 29th, 1964, the One Millionth Independent Telephone to be installed in Ohio was placed in service at our Wadsworth exchange.

On March 8th, 1964, the Company's operating territory experienced a severe lightning storm and was followed on March 9th, 1964 by a sleet storm, which affected the northern half of the Company's exchange area. Damage amounted to approximately \$70,000.

At the annual stockholders meeting held May 19th, 1964, 91.2% of the common shares were voted in person or by proxy. At the meeting an Amended Articles of Incorporation was adopted, and the number of common shares was increased from 700,000 shares to 1,000,000 shares. Directors elected were Allan G. Aigler, John A. Aigler, Thomas A. Boyd, Charles H. Campbell, Robert T. Campbell, Frank C. Henry, H. H. Thornton, F. W. Uhlman, John E. Wise, H. A. Erf and William C. Henry. The Executive Committee consisting of Allan G. Aigler, John E. Wise, H. A. Erf, F. W. Uhlman and William C. Henry was re-elected.

In July, 1964 Mr. Allen W. Hughes was employed as an Administrative Assistant to the President. Mr. Hughes has had 17 years experience in the telephone industry and was Assistant to the President of the General Telephone Company of Michigan prior to joining Northern Ohio Telephone Company.

Telephone Stations in Service
Thousands



NORTHERN OHIO EMPLOYEES

At the year end, Company employees totaled 893, an increase of 26 over the previous year. Total wages paid employees in 1964 amounted to \$3,566,301. During the eight-week work stoppage from October 5th to November 30th, 1964, service was maintained with supervisory personnel, and 98% of the normal number of toll calls were completed. During the strike our Direct Distance Dialing volume increased by 10%. A new one-year contract was entered into with the International Brotherhood of Electrical Workers effective November 30th, 1964. The new contract provides for wage increases of 6.86 cents per hour for Traffic employees and 11.3 cents per hour for Plant employees. The hourly increases included a seventh holiday and other fringe benefits.

The Company's employees continued a tradition of extraordinary service to their local communities. The Ohio Independent Telephone Association awarded Letters of Citation to night operator Virginia Hall at our Delaware office and Norwalk Supervisor Hazel Geer for acts beyond the call of duty. In both cases, serious tragedies were averted by the actions and quick thinking of these two outstanding employees.

THE OUTLOOK FOR 1965

Our plans include a reduction of all rural ten-party lines to eight parties or less per line by August 1st, 1965. The Ashland toll center and its tributary exchanges will be changed to seven-digit all-number calling in September of 1965, and equipment for subscriber Direct Distance Dialing is programmed for both the Ashland and Galion toll center exchanges by the end of 1966. All exchanges of this Company will be converted to seven-digit, all-number calling (ANC) for integration into the Nation-Wide Toll Dialing Plan by the end of this year.

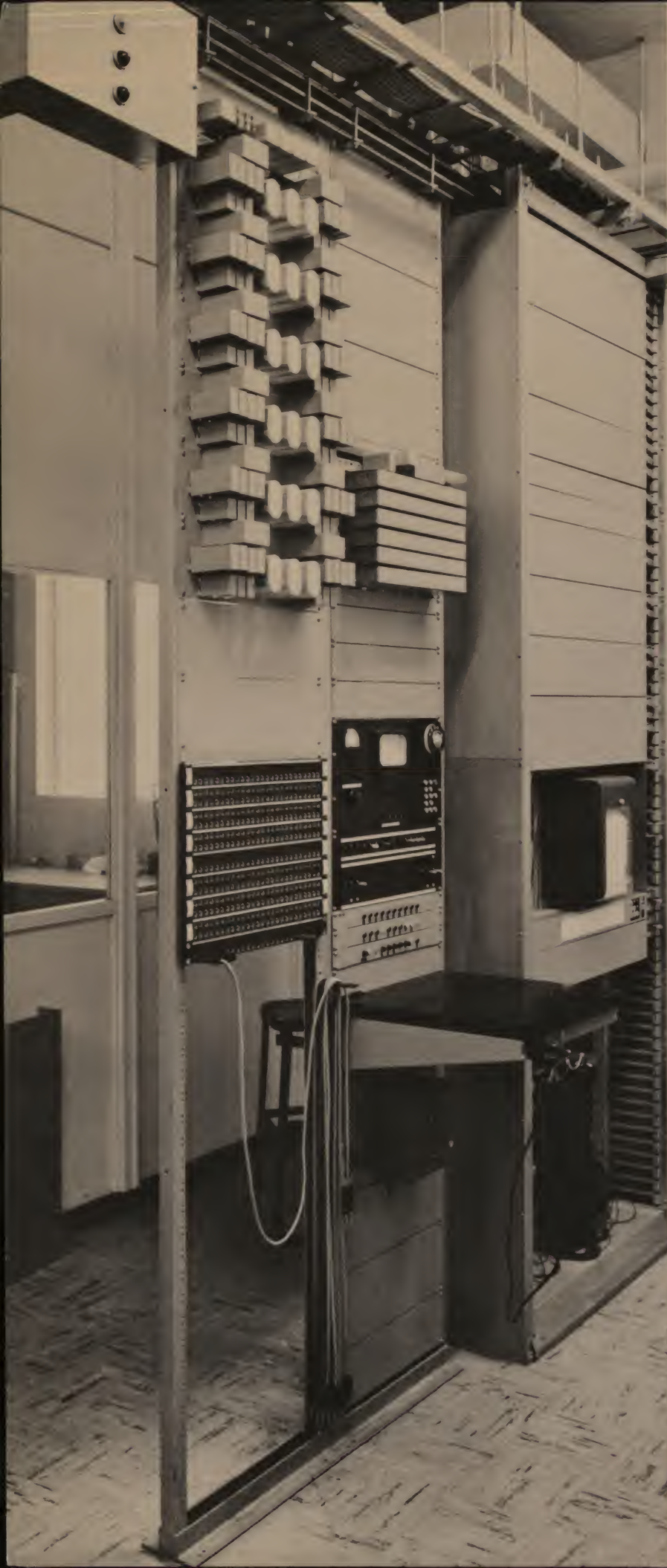
Major additions are planned in 1965 for the Ashland District Headquarters building, the Bellevue General Office Building and for the buildings at five smaller exchanges. Substantial additions to automatic central office equipment will be made at the exchanges at Genoa, Curtice, Bellevue, Norwalk, Huron, New London, Willard, Medina, Brunswick, Montrose, Galion, Delaware, Ashland and Wadsworth. A complete new central office was installed at Berlin Heights on February 9th, 1965, and new central office equipment will be installed at Kelleys Island during the last half of this year. A program to pressurize the Company's larger cables will be inaugurated. The major long-range objective of reinforcing and replacing the Company's cable distribution system to make possible the elimination of multi-party service in base rate areas will be accelerated. This will make possible the upgrading of urban subscribers' service to one and two parties on the line.

Management will continue to pursue aggressively its objective of improving service and enhancing its value in providing complete and increasing communications service to our subscribers. We will also continue to seek additional independent telephone properties that would complement the Northern Ohio Telephone Company system.





*A field engineer servicing
a North Electric Cross
Bar exchange at Crestline.*



Five Years of Continuous Growth

1. Completed Long Distance Calls

1964	11,913,888
1963	11,371,469
1962	10,724,000
1961	9,700,000
1960	9,500,763

2. Direct Distance Dialing Availability to Subscribers

1964	74.0%
1963	66.9
1962	54.0
1961	45.3
1960	33.0

3. Common Stock Dividends

1964	\$1.60 + 2% stock
1963	1.57 + 2% stock
1962	1.54 + 1% stock
1961	1.52 + 25% stock
1960	1.51

EXCHANGE JAN. 1, 1965

Ashland	10,895
*Ashley	712
*Attica	912
*Bellevue	5,166
*Berlin Heights	585
*Bowling Green	7,361
*Brunswick	3,904
*Burbank	288
Carey	1,844
*Cheshire Center	599
*Chippewa Lake	516
*Clyde	3,245
Congress	340
Creston	772
Crestline	2,840
Curtice	2,727
*Delaware	8,119
Elmore	1,439
Galion	7,696
Genoa	1,626
*Grand Rapids	726
*Grafton	927
*Greenwich	914
*Haskins-Tontogany	593
Hayesville	1,175
*Homerville	151
*Huron	2,829
Kelley Island	144
*Kilbourne	331
Lakeville	179
*Leroy	493
*Lodi	1,508
Loudonville	1,848
*Marblehead	1,136
McComb	942
*Medina	7,418
*Milan	1,238
*Monroeville	1,029
*Montrose	4,650
*New London	1,890
New Washington	747
*North Baltimore	1,268
*North Eaton	1,341
*Norwalk	7,765
*Oak Harbor	2,567
*Oberlin	4,940
*Ostrander	396
*Pemberville	849
Perrysville	767
*Plymouth	953
Polk	350
*Port Clinton	5,853
Put-in-Bay	295
*Radnor	240
*Rathbone	496
Red Haw	321
Savannah	405
*Seville	746
*Sharon Center	1,070
*Valley City	640
Van Buren	305
*Wadsworth	7,024
*Wakeman	553
*Wayne	1,084
*Wellington	2,700
*Weston	864
West Salem	535
*Willard	3,543
	140,321

Exchanges of NORTHERN OHIO TELEPHONE COMPANY





NORTHERN OHIO TELEPHONE COMPANY